

# SECURE 2.0 Act optional provision guide

Withdrawals for domestic abuse (WDA)



## Purpose

Employers often face uncertainty about how best to support domestic abuse survivors at work. The withdrawal for domestic abuse (WDA) provision gives plan sponsors another way to support survivors, by allowing participants to take an in-

## Provision overview

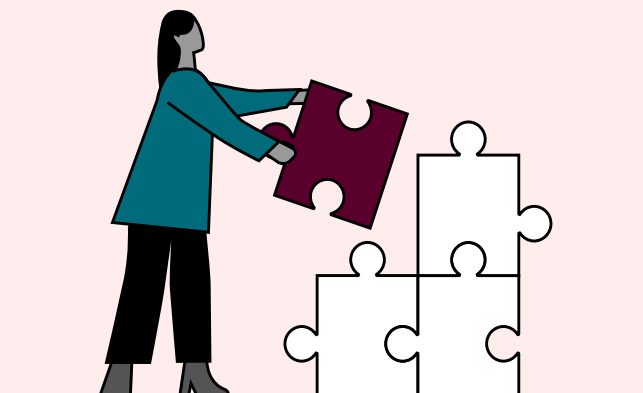
SECURE 2.0 provides domestic abuse survivors with more access to funds in their retirement accounts. Under this optional provision, plan sponsors may elect to allow a withdrawal for domestic abuse survivors of either \$10,000 or 50% of the participant's vested account balance (whichever is less) without being subject to the 10% early withdrawal penalty. The survivor also has the option to repay the distribution within three years.

- Participants are required to self-certify that they experienced domestic abuse by stating on a recorded line that they have qualified for this type of distribution. No additional documentation is needed.
- The distribution must be taken within 12 months of the domestic abuse incident and can be redeemed by ACH, wire, or check.
- Checks can be sent to the participant's address of record or, if that is not feasible,

service distribution from the plan. Plan sponsors considering this provision should think about how it fits in with their benefits package to best support employees.

a staffed FedEx location via the existing FedEx overnight process.

- The WDA distribution type will be associated to the disbursed check via existing internal processes. A temporary address of record may not be used as an alternative address, and a valid photo ID is required to pick up the check.
- WDAs are exempt from the mandatory 20% withholding and instead will be subject to 10% withholding, unless the participant specifies a different withholding rate.
- Plans choosing to offer this optional provision will need to remove administrative spousal consent as a requirement on their plan to allow participants to self-certify that they qualify for a WDA distribution.



### Effective date: January 1, 2024

Effective for: 401(k), 403(b), governmental 457(b), and 401(a) plans. Qualified joint and survivor annuity (QJSA) plans will not be eligible.

## Vanguard's approach

As we acclimate to an environment where SECURE 2.0's many new rules move from theory to practice, we've chosen our next stage of optional provision implementation with care. Vanguard has chosen to prioritize the WDA provision as part of a larger focus on optional participant withdrawal provisions.

### What to expect

The WDA provision requires a minimal amount of plan sponsor action in comparison to others outlined by SECURE 2.0, as the recordkeeper bears the primary responsibility for implementation. As most implementation changes take place at the recordkeeper level, this provision can be carried out quickly and iteratively, while providing additional flexibility to both plan sponsors and participants.

These provisions put participants first, giving them greater flexibility to access funds and modernizing defined contribution plan rules to meet the diverse needs of today's workforce. These provisions can be implemented quickly and iteratively, while providing additional flexibility to both plan sponsors and participants.

Vanguard will offer this provision to plan sponsors starting in the first quarter of 2025, and we will share more information on the implementation process in the coming months. Details on how Vanguard will administer this provision, as well as how it will affect plan sponsors and their participants, are outlined below.

Vanguard action	Plan sponsor impact	Participant impact
The WDA is a new in-service withdrawal type that will be available to active employees only. This withdrawal type will not be available to terminated participants.	Plans choosing to offer this optional provision will need to remove administrative spousal consent as a requirement of their plan to allow participants to self-certify that they qualify for a WDA distribution.	Vanguard will accommodate participant WDA withdrawal requests both by phone and online. Participants must self-certify that they qualify for this distribution type on a recorded line or via the online experience using an e-signature or checkbox.
WDA distributions can be redeemed by ACH, wire, or check. Checks can be sent to the participant's address of record or a staffed FedEx location. Vanguard will distribute the WDA with a default 10% withholding tax, similar to how hardship distributions occur today.	No action is required by the plan sponsor.	Participants must request a WDA distribution within 12 months of the domestic abuse incident. There is no limit on the number of WDAs a participant may take, but the total distribution amount cannot exceed \$10,000.
Repayments will be made via check and processed by Vanguard using a new paper form. The form will allow participants to distinguish money source, cost basis, and Roth start date (if applicable). Vanguard will track these repayments to make sure they are only accepted for three years after the initial WDA is taken.	No action is required by the plan sponsor.	Participants have the option to repay a WDA distribution within three years. The three-year time frame starts the day after the WDA is taken. Repayments will be treated as a rollover into the plan and cannot exceed the total balance of the outstanding WDA amount.

# Frequently asked questions

## 1. How is domestic abuse defined under this provision?

Domestic abuse means physical, psychological, sexual, emotional, or economic abuse, including efforts to control, isolate, humiliate, or intimidate the victim, or to undermine the victim's ability to reason independently, including by means of abuse of the victim's child or another family member living in the household.

## 2. How often can a distribution be taken?

Participants can take a distribution of \$10,000 or 50% of their vested account balance (whichever is less) without being subject to the 10% early withdrawal penalty. Distributions cannot exceed \$10,000. Amounts can be taken in various increments as long as the total amount does not exceed the \$10,000 cap.

## 3. Are there tax implications to taking a WDA?

Withdrawals for domestic abuse are subject to income tax but are not subject to the 10% early withdrawal penalty that is typically applied to distributions taken before age 59 ½. For specific questions regarding the tax implications of a WDA, participants should consult with a tax advisor.

## 4. How will repayments be made?

Repayments will be made via check and cannot exceed the total balance of the outstanding WDA amount. Vanguard will track WDA repayments to ensure they are only accepted for the period of three years from the day after the initial distribution was taken.

## 5. Who can repay the distribution?

Repayments are treated as a rollover into the plan. As long as a participant is eligible to rollover money into the plan, he or she can repay the distribution.

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